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Foreign and Commonwealth Office

London SW1A 2AH



16 March 1984

N. Pender

A.C. 16/3

New David,

TR 16/3

EC Budget: Contingency Planning for Withholding

As you know, contingency plans have been prepared against the possibility that we do not receive the bulk of our refunds for 1983 by the end of March. The purpose of this letter is to draw attention - without suggesting any firm conclusion at this stage - to the possible Parliamentary implications for the period beginning 26 March.

The outcome of the European Council in Brussels on 19/20 March will be critical. If it goes reasonably well, the Council and the European Parliament will probably take the necessary steps to enable the bulk of our refunds to be paid to us by the end of March. If it goes badly, our refunds may remain blocked either in the Council by the French and Italians or in the Parliament and we will need to consider the steps necessary to safeguard our position.

The outcome of the Council will doubtless be discussed in Cabinet on 22 March. Sir Geoffrey Howe's view is that even if the Council goes badly, it is likely to be too early to take a final decision then on the form of action we might take. Sir Geoffrey believes that it would be better to take a final decision during the week beginning the 26th. This would allow time to take account of the European Parliament's consideration of our refunds which - if they are to be approved - would probably take place by, at the latest, early that week. It would also allow time for the outcome of the Council to be assessed and for papers to be prepared.

If we do decide to withhold, Cabinet will need to decide whether or not to legislate at the outset. There has already been some discussion by Ministers about this, in which Sir Geoffrey Howe has taken the view that there would be substantial advantage to us if legislation at the outset can be avoided. The LPS and Lord President's Office may nevertheless wish to bear in mind the possibility of the need for legislation at the outset, and of the requirement, if this happens, for the Bill to be passed by both Houses with a minimum of delay.

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There is also the separate question of the Parliamentary handling of the supplementary estimate and the Consolidated Fund Bill, in response to the Commission's request for advance payment, which the Cabinet agreed on 15 March should be debated in the House on 28 or 29 March. This will clearly need to be taken into account in considering how to handle any possible decision to withhold.

In view of its sensitivity, copies of this letter go only to John Coles at No 10, and to the Private Secretaries to Lord Whitelaw, the Attorney General, the Chancellor, the Chief Whip, Lord Denham and to Sir Robert Armstrong.

Yes
R B Bone

(R B Bone)
Private Secretary

David Heyhoe Esq
PS/LPS

Ohio Budget

16 JUN 1984

